



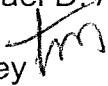
**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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J. TYLER McCAULEY  
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August 30, 2002

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne Brathwaite Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley   
Auditor-Controller

**SUBJECT: DEPARTMENT OF REGIONAL PLANNING FISCAL REVIEW**

We have completed a review of the Department of Regional Planning (Regional Planning or Department) fiscal operations. Our review focused on evaluating the Department's internal controls and compliance with County fiscal policies and procedures in key areas such as revenue/cash handling, expenditures, procurement, and payroll/personnel. We also reviewed the Department's budgetary performance, trust fund operations, and contracting procedures.

A management audit of the Department is underway with a planned completion date of September 30, 2002.

**Summary of Findings**

Our audit disclosed that the Department is in general compliance with the fiscal policies and procedures in the County Fiscal Manual and is operating within its budget. We commend the Department for their performance in both areas.

We did note a few areas where the Department can improve its internal controls. These matters and recommendations for corrective action are discussed in the attached report.

**Acknowledgment**

We thank Regional Planning management and staff for their cooperation and assistance during our review. Their response to this report, including planned corrective actions, is attached.

If you have any questions regarding this report, please contact me or have your staff contact DeWitt Roberts at (213) 974-0301.

JTM:DR:DC

**Attachment**

c: David E. Janssen, Chief Administrative Officer  
James E. Hartl, Planning Director, Department of Regional Planning  
Violet Varona-Lukens, Executive Officer  
Public Information Office  
Audit Committee

## **DEPARTMENT OF REGIONAL PLANNING FISCAL REVIEW**

### **COMMENTS AND RECOMMENDATIONS**

#### **Background**

The Department of Regional Planning (Department) is headquartered in the County's Hall of Records. The Department also maintains nine field offices located throughout the County.

The mission of the Department is to:

- Establish and maintain a continuing comprehensive long-range process for the physical, social, and economic development of the County of Los Angeles,
- Prepare and maintain the Countywide General Plan, including area and community plans,
- Administer the County's subdivision and zoning ordinances,
- Encourage business retention and promote a positive business atmosphere for the unincorporated County area,
- Develop and maintain an information base on demographic conditions in the County to be used in formulating programs that encourage effectuation of the County's General Plan.

The Department's Fiscal Year (FY) 2002-03 proposed budget is \$13 million with 125 staff positions.

#### **Scope of Review**

We conducted a review of the Department's controls over its fiscal operations. Our review focused on evaluating its internal controls and compliance with County policies and procedures in key fiscal areas including revenue, expenditures, payroll and procurement. In addition, we reviewed the Department's budgetary performance and cash and trust fund controls.

#### **Budgetary Control and Adherence to County Budget**

The Department uses one budget unit to monitor and report its General Fund operations for its four divisions: Current Planning Division, Land Use Regulation Division, Advance Planning Division, and Technical and Fiscal Services Division. In reviewing the Department's adherence to its Board adopted budget, we compared the Department's actual financial results to its budgeted amounts for fiscal years 1998-99, 1999-00, and 2000-01. The results are summarized on the following page.

**Budgeted and Actual Financial Results****Fiscal Year 2000-2001**

	<b>Budget</b>	<b>Actual</b>	<b>Over or (Under)</b>
Expenditures	\$11,999,000	\$11,106,517	(\$892,483)
Intrafund Transfers	\$147,000	\$139,573	(\$427)
Revenue	\$5,264,000	\$4,515,256	(\$748,744)
Net County Cost	\$6,588,000	\$6,451,688	(\$136,312)

**Fiscal Year 1999-2000**

	<b>Budget</b>	<b>Actual</b>	<b>Over or (Under)</b>
Expenditures	\$10,315,000	\$10,101,270	(\$213,730)
Intrafund Transfers	\$19,000	\$121,938	\$102,938
Revenue	\$4,831,000	\$4,553,377	(\$277,623)
Net County Cost	\$5,465,000	\$ 5,425,955	(\$39,045)

**Fiscal Year 1998-1999**

	<b>Budget</b>	<b>Actual</b>	<b>Over or (Under)</b>
Expenditures	\$9,435,000	\$8,528,526	(\$906,474)
Intrafund Transfers	\$24,000	\$22,718	(\$1,282)
Revenue	\$5,045,000	\$5,027,562	(\$17,438)
Net County Cost	\$4,366,000	\$3,478,246	(\$887,754)

Overall, the Department has operated within its budgeted net County cost (NCC). In fiscal years 2000-01 and 1999-00, the Department operated within two percent of its budgeted NCC. In fiscal year 1998-99, the Department's NCC was approximately 20 percent below budget. This budget variance was primarily attributed to delays in staff recruitment and hiring, which resulted in the Department incurring lower than expected salary and employee benefit costs.

Since fiscal year 1998-99, the Department's actual NCC increased from \$3.5 million in 1998-99 to \$6.5 million in 2000-01. The Department indicated that these increases are in part due to the Department's increased salary and employee benefit costs as a result of negotiated cost of living adjustments and 32 new budgeted positions. The new positions were created to support increased case processing, computerization of the countywide Land Use Policy Map, increased code enforcement activity, and increased environmental mitigation monitoring.

### **Trust Funds**

The Department uses trust funds to deposit collections until the appropriate revenue accounts are identified and the funds are transferred to revenue. The Department also uses trust funds to hold unearned revenue until earned by providing services for various grant programs. As of June 2002, the Department had a total of 12 trust funds and eight accounts in the County's TK7 trust fund. The combined total balance of all the trust funds and TK7 accounts was approximately \$3.94 million in unearned revenue.

We reviewed the Department's internal controls over trust and noted that the trust funds and TK7 accounts are reconciled monthly, monies that are earned are transferred to revenue timely, and that the Department periodically reviews its trust funds and TK7 accounts to identify and close inactive funds/accounts.

### **Cash Handling Controls**

Chapter 1 of the County Fiscal Manual (CFM) requires departments to establish strict controls over all phases of cash handling operations, such as limiting access to cash, placing daily receipts in a secured location until ready for deposit, and depositing collections of \$500 or more daily.

The Department operates a Public Information Center (PIC) located in the Hall of Records that is staffed by planners who review applications, provide advice and accept applications and related fees and documents. In addition, the Department has nine field offices currently staffed by zoning enforcement personnel who answer general questions and accept applications and fees for a limited number of services, such as Site Plan Reviews, Yard Modifications, Business Signs and Certificates of Compliance.

We reviewed the Department's procedures for collecting and safeguarding cash at the PIC and the field offices. We noted several areas where the Department could improve its controls over cash. These areas are discussed below.

### **Public Information Center Collections**

The PIC collects between \$5,000 to \$25,000 in cash and checks each business day. According to the Department, checks and money orders make up the bulk of the daily collections, but occasionally up to \$700 in cash is received. The checks and cash are stored in a safe that remains unlocked during the business day, except during the cashier's lunch break when the safe is locked. In some instances, the Department keeps large cash payments in a locked drawer until making a deposit.

We also noted that, in addition to the cashier, five planning staff and two land development staff have the combination to the safe. To improve internal controls over cash and checks, the safe storing daily collections should be locked when not in use. Only a few individuals, including at least one manager, should be given the safe combination.

**Field Office Collections**

Regional Planning field offices do not always deposit collections of \$500 or more daily, as required by the CFM. Total collections, which average approximately \$1,400 a day, are not always deposited in a bank account each night. If there is time at the end of the day, staff will deliver the collections to the cashier at the Department's main office in Los Angeles. Otherwise, the field office staff take the collections home until their next workday, which sometimes can be four or more days later. On their return to work, staff will deliver the receipts and collections to the cashier located at the main office. We also noted that field staff do not restrictively endorse checks for deposit only to the County of Los Angeles.

Department management needs to ensure that collections exceeding \$500 are deposited daily. In addition, management needs to ensure that all collections are kept in a locked safe overnight, during lunch hours or any other long period of absence. Funds should never be taken home. Also, to further safeguard collections, staff should be instructed to immediately restrictively endorse checks when they are received.

**Recommendations****Regional Planning management:**

- 1. Limit access to cash by locking the safe at all times when not in use and ensure that only key personnel have the safe combination.**
- 2. Prohibit staff from taking collections home, secure cash to be left overnight in the safe, and require collections exceeding \$500 to be deposited daily.**
- 3. Provide field office staff with a check endorsement stamp and ensure checks are immediately endorsed to the County of Los Angeles upon receipt.**

**Segregation of Duties**

According to CFM Section 1.1.3, in order to maintain the integrity of cash operations, employee duties within the cash functions must be separated to ensure that no one individual controls all key aspects (receipting, depositing, reconciling and recording) of a cash transaction.

At the Department's main office, we noted that the same person who is responsible for reconciling deposit receipts to the deposit permits, and maintaining the blank receipt stock, also takes physical possession of the deposits. Regional Planning Management needs to ensure adequate separation of duties exists over cash handling activities and that the same person does not control all key aspects of a cash transaction.

**Recommendation**

- 4. Regional Planning management ensure adequate separation of duties exists over cash handling activities and that the same person does not control all key aspects of a cash transaction.**

**Procurement**

Generally, the Department makes a conscientious effort to comply with established procurement guidelines. We noted that the Department complies with County purchasing requirements in using non-agreement and sole source vendors. However, we did note the following areas where the Department needs to strengthen its purchasing controls.

- The Department does not always keep copies of vendor agreements on file. We reviewed ten purchase transactions involving agreement vendors and noted that for six (60%) transactions, totaling \$40,240, the Department did not have copies of agreements on file. Without the agreements, procurement staff cannot ensure that vendors are providing goods/services at agreed upon prices.
- Board policy requires departments to pay vendors within 30 calendar days of receiving the vendor's invoice. We noted that Regional Planning does not always pay invoices timely. Six out of 20 (30%) purchase transactions that we reviewed (ten agreement and ten non-agreement transactions) were paid an average 21 days after the due date.

Department management should ensure staff obtain copies of agreements from Internal Services Department, maintain the agreements on file, and compare invoices with the terms of the agreements before authorizing payment of the invoices. Also, management needs to ensure vendors are paid within 30 calendar days of receiving the vendor's invoice as required by Board policy.

**Recommendations****Regional Planning management:**

- 5. Ensure staff obtain copies of agreements from ISD, keep the agreements on file and compare the invoiced terms with the agreement terms before authorizing payment of the invoices.**
- 6. Ensure vendors are paid within 30 calendar days of receiving the vendor's invoice as required by Board policy.**

### **Contracts**

The Department had two service contracts (\$75,000 and \$38,000) in FY 2000-01 and one service contract (\$31,000) in FY 2001-02. The three contracts were non-Proposition A contracts and were not subject to the Living Wage Ordinance. In all cases, the Department complied with established County contracting procedures. The Department also effectively monitored the contractors' performance and compliance with the terms of their County contracts.

### **Expenditure Accruals/Commitments**

Expenditure accruals represent amounts owed at the end of a fiscal year for items that the Department has received but has not yet paid for. Commitments represent funds reserved to pay future obligations on contracts and direct purchase orders. It is important that both expenditure accruals and commitments be accurately calculated and recorded to ensure the County's accounting records accurately reflect its financial position and results of operations at the end of the fiscal year.

We reviewed the Department's expenditure accruals and commitments for FYs 1998-99, 1999-00, and 2000-01. The Department appropriately established accruals for all items received as of June 30, but not paid for until the subsequent fiscal year. We also noted that the Department appropriately established commitments for future obligations and that the commitments with current balances are still valid and should not be cancelled.

### **Fixed Assets and Portable Equipment**

CFM Chapter 6, states that procedures should be in effect requiring the various sections and/or property locations to maintain fixed asset listings of all assets assigned to the specific unit/location. In addition, departments must also maintain a listing of portable items (regardless of whether they are classified as equipment) identifying the name of the individual responsible for portables at each location and the portables' unique identifier, such as serial numbers.

The Department has approximately 40 fixed assets and 167 portable items. We noted that the Department does maintain its portable equipment listing in accordance with CFM requirements. However, for its fixed asset listing, the Department does not maintain information regarding the asset's location.

### **Recommendation**

- 7. Regional Planning management maintain location information on the fixed asset listing (or annotate the Auditor-Controller listing).**

### **Payroll and Personnel**

Overall, we found that the Department has established appropriate procedures and controls to ensure compliance with established County payroll and personnel policies and procedures. We noted that overtime worked and bonuses were properly approved and bonuses were discontinued timely when the situation for which the bonuses were authorized changed. We also noted that payoffs are conducted semi-annually and access to CWTAPPS is limited to authorized staff with appropriate access levels. In addition, the Department appropriately reviews the monthly payroll registers to ensure that staff who terminate their employment from the Department do not continue to receive pay.

One area where the Department can improve is verifying the accuracy of information entered into CWTAPPS. Our interview with the Department's Administrative Services management disclosed that employee timecard data entered into CWTAPPS is not verified. The Department indicated that, due to time constraints, only the employee's item number is verified. Other timecard data, such as earnings codes and vacation time taken, are not verified. County Fiscal Manual, Section 3.1.6, states that management independent of the personnel and payroll functions should select a random sample of employees' timecards each quarter to compare information posted on the timecards to information on CWTAPPS to ensure the timecard data (i.e., hours worked, work variances, etc.) was entered in an accurate and complete manner.

To determine if the Department enters timecard data accurately on CWTAPPS, we tested a sample of 15 approved timecards and traced the earnings codes on each timecard to the CWTAPPS Master Timecard. We noted four (27%) instances in which variance time (58 hours total) was reported on the timecards but was not reported on CWTAPPS. Regional Planning management should ensure that someone independent of the personnel and payroll functions performs periodic reviews of timecards to compare information on the timecards to information entered on CWTAPPS. When errors are discovered, corrective action such as retraining staff should be taken and the noted errors corrected.

### **Recommendation**

- 8. Regional Planning management ensure that someone independent of payroll and personnel functions performs periodic reviews of timecards to compare information on the timecards to information on CWTAPPS. When errors are discovered, corrective action such as retraining staff should be taken and the noted errors corrected.**



*Los Angeles County*  
*Department of Regional Planning*  
*Director of Planning James E. Hartl, AICP*



August 26, 2002

TO: J. Tyler McCauley  
Auditor-Controller

FROM: James E. Hartl, AICP  
Director of Planning

**SUBJECT: DEPARTMENT OF REGIONAL PLANNING FISCAL REVIEW**

We have completed our assessment of the Department of Regional Planning's (DRP) Fiscal Review submitted to my office on August 12, 2002. Your Review focused on evaluating DRP's internal controls and compliance with County fiscal policies and procedures in key areas such as revenue/cash handling, expenditures, procurement, and payroll/personnel. Also reviewed were budgetary performance, trust fund operations, and contracting procedures.

Overall, we agree with this Review's Summary of Findings, comments, and recommendations. Our responses, including planned corrective actions, are attached. If you have any questions, please contact me or your staff can call Ted Elias or Richard Guizado at (213) 974-6533 or (213) 974-6631 respectively.

JEH:TNE:RAG:mh

Attachment

c: J. Sanabria  
T. Elias  
R. Guizado

Department of Regional Planning  
Fiscal Review  
Recommendations and Responses

**RECOMMENDATION # 1**

**LIMIT ACCESS TO CASH (AT THE PUBLIC INFORMATION COUNTER) BY LOCKING THE SAFE AT ALL TIMES WHEN NOT IN USE AND ENSURE THAT ONLY KEY PERSONNEL HAVE THE SAFE COMBINATION.**

**Response**

We agree with this recommendation.

The safe combination will be changed. The new combination will be limited to only key personnel. Public counter staff will be instructed to lock the safe at all times.

**Status**

Not implemented: Target date – October, 2002

**RECOMMENDATION # 2**

**PROHIBIT STAFF (IN FIELD OFFICES) FROM TAKING COLLECTIONS HOME, SECURE CASH TO BE LEFT OVERNIGHT IN THE SAFE, AND REQUIRE COLLECTIONS EXCEEDING \$500 TO BE DEPOSITED DAILY.**

**Response**

We agree with this recommendation.

New and updated policies will be prepared for all field office staff covering: (1) prohibiting any collections taken home, (2) securing all overnight cash in the safe, and (3) collections > \$500 deposited daily.

**Status**

Not implemented: Target date – September, 2002

**RECOMMENDATION # 3**

**PROVIDE FIELD OFFICE STAFF WITH A CHECK ENDORSEMENT STAMP AND ENSURE CHECKS ARE IMMEDIATELY ENDORSED TO THE COUNTY OF LOS ANGELES UPON RECEIPT.**

**Response**

We agree with this recommendation.

Check endorsement stamps will be ordered for field office staff. These staff will be instructed and trained to immediately endorse all checks to the "County of Los Angeles".

**Status**

Not implemented: Target date – September, 2002

#### **RECOMMENDATION #4**

**REGIONAL PLANNING MANAGEMENT ENSURE ADEQUATE SEPARATION OF DUTIES EXISTS OVER CASH HANDLING ACTIVITIES AND THAT THE SAME PERSON DOES NOT CONTROL ALL KEY ASPECTS OF A CASH TRANSACTION.**

##### **Response**

We agree with this recommendation.

Available staff has been reassigned to ensure adequate separation of duties over cash handling activities and that the same person does not control all key aspects of a cash transaction.

##### **Status**

Implemented

#### **RECOMMENDATION # 5**

**ENSURE STAFF OBTAINS COPIES OF AGREEMENTS FROM ISD, KEEP THE AGREEMENTS ON FILE AND COMPARE THE INVOICED TERMS WITH THE AGREEMENT TERMS BEFORE AUTHORIZING PAYMENT OF THE INVOICES.**

##### **Response**

We agree with this recommendation.

Procurement staff will maintain copies of agreements from ISD, keep them on file, and compare invoiced terms with agreement terms before authorizing invoice payments.

##### **Status**

Not implemented: Target date – November, 2002

#### **RECOMMENDATION # 6**

**ENSURE VENDORS ARE PAID WITHIN 30 CALENDAR DAYS OF RECEIVING THE VENDOR'S INVOICE AS REQUIRED BY BOARD POLICY.**

##### **Response**

We agree with this recommendation.

DRP management will reissue a policy statement to all staff that vendors are paid within 30 calendar days of receiving the vendor's invoice as required by Board policy.

##### **Status**

Not implemented: Target date – September, 2002

## **RECOMMENDATION # 7**

REGIONAL PLANNING MANAGEMENT MAINTAIN LOCATION INFORMATION ON THE FIXED ASSET LISTING (OR ANNOTATE THE AUDITOR-CONTROLLER LISTING).

### **Response**

We agree with this recommendation.

DRP management will instruct staff to maintain location information on the fixed asset listing.

### **Status**

Not implemented: Target date – September, 2002

## **RECOMMENDATION # 8**

REGIONAL PLANNING MANAGEMENT ENSURES THAT SOMEONE INDEPENDENT OF PAYROLL AND PERSONNEL FUNCTIONS PERFORM PERIODIC REVIEWS OF TIMECARDS TO COMPARE INFORMATION ON THE TIMECARDS TO INFORMATION ON CWTAPPS. WHEN ERRORS ARE DISCOVERED, CORRECTIVE ACTION SUCH AS RETRAINING STAFF SHOULD BE TAKEN AND THE NOTED ERRORS CORRECTED.

### **Response**

We agree with this recommendation.

DRP management will assign someone independent of payroll and personnel functions to perform periodic reviews of timecards. Periodic review will compare information on the timecards to information on CWTAPPS. Procedures will also cover corrective actions to be taken, such as retraining staff, on all discovered errors and noted errors will be corrected. Another review will be scheduled.

### **Status**

Not implemented: Target date – October, 2002